

# General Fund Revenue Forecast

Fiscal Years 2017-2019  
Revenue Forecast Technical Committee

Presented to the State Budget Committee  
April 12, 2017

# Indiana Revenue Forecast



# Major Revenue Sources Performances Compared to Prior Forecast & Prior Year

Year-To-Date Through March 31<sup>st</sup> - FY 2017

Sales Tax	April 2015 Forecast : -4.5% Dec 2016 Forecast : 1.2%  Same Period FY 2016: 3.4%
April 2015 Forecast : 4.9% Dec 2016 Forecast : 2.5%  Same Period FY 2016: 5.4%	Income Tax
Corporate Tax	April 2015 Forecast : -7.4% Dec 2016 Forecast : 0.5%  Same Period FY 2016: -6.1%
April 2015 Forecast : -1.1% Dec 2016 Forecast : 1.6%  Same Period FY 2016: 3.1%	Total General Fund

# Economic Forecast Overview

## Economic Forecast

- Economy continues to gradually pick-up behind gains in employment but uncertainty remains to be the central story.
- Recent employment growth in manufacturing sector is slowing down.
- Indiana unemployment rate predicted to decline down to 4% level by FY 2019.
- Retail sales during the next biennium forecasted to grow stronger than FY 2016, but would remain weighed down by uncertainty.

# Forecast Overview

## Incorporation of Impacts of Recent Legislative Changes

- Individual Income Tax Rate Reduction
  - 3.3% in CY 2016 to 3.23% in CY 2017 & onwards
- Ongoing Corporate Tax Rate Reduction
  - 6.25% in FY 2017
  - 6.00% in FY 2018
  - 5.75% in FY 2019
- Ongoing FIT Rate Reduction
  - 7.0% in CY 2016
  - 6.5% in CY 2017 and CY 2018
  - 6.25% in CY 2019
- Gasoline Use Tax (GUT) Distributions to State General Fund
  - Distributed same as rest of the Sales & Use tax in FY 2016
  - 85.714% in FY 2017
  - 71.428% in FY 2018
  - 64.285% in FY 2019 & onwards
- Sales Tax Net of GUT Distributions to State General Fund
  - 98.848% in FY 2016
  - 99.838% in FY 2017 & onwards

# Revenue Estimators

## Sales Tax

### Gasoline Use Tax

US Gas Prices	US Highway Fuel Consumption
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### Remaining Sales & Use Tax

#### Indiana Personal Income Net of Transfer Payments

Indiana Population 65 Years and Older	Total Indiana Private Housing Starts
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## Personal Income Tax

### Estimated Tax Payments

S&P 500	1-Year Lag of Estimated Payments
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### Withholdings

Wages & Salaries
Extra Pay Period in Quarter

### Reconciliations

1- Year Lag of Reconciliations

April 2017  
Forecast Results

# Total Tax Revenue Estimates

April 12, 2017, Revenue Forecast

<b>Sales Tax</b> (in millions)						
<b>Fiscal Year</b>	<b>Dec-16 Forecast</b>	<b>Apr-17 Forecast</b>	<b>Growth over Prior Year</b>		<b>Difference Dec 2016 Forecast to Apr 2017 Forecast</b>	
2017	7,400.2	7,432.7	210.0	2.9%	32.4	0.4%
2018	7,618.0	7,630.2	197.5	2.7%	12.1	0.2%
2019	7,889.7	7,885.8	255.6	3.4%	-3.9	0.0%

<b>Individual Income Tax</b> (in millions)						
<b>Fiscal Year</b>	<b>Dec-16 Forecast</b>	<b>Apr-17 Forecast</b>	<b>Growth over Prior Year</b>		<b>Difference Dec 2016 Forecast to Apr 2017 Forecast</b>	
2017	5,399.8	5,473.0	254.8	4.9%	73.2	1.4%
2018	5,596.3	5,661.0	188.0	3.4%	64.7	1.2%
2019	5,942.0	5,996.5	335.5	5.9%	54.5	0.9%

<b>Corporate Income Tax</b> (in millions)						
<b>Fiscal Year</b>	<b>Dec-16 Forecast</b>	<b>Apr-17 Forecast</b>	<b>Growth over Prior Year</b>		<b>Difference Dec 2016 Forecast to Apr 2017 Forecast</b>	
2017	911.7	914.4	-69.6	-7.1%	2.7	0.3%
2018	926.7	949.2	34.8	3.8%	22.5	2.4%
2019	932.8	974.8	25.6	2.7%	42.0	4.5%

# Total Tax Revenue Estimates

April 12, 2017, Revenue Forecast

<b>Gaming Taxes</b> (in millions)						
<b>Fiscal Year</b>	<b>Dec-16 Forecast</b>	<b>Apr-17 Forecast</b>	<b>Growth over Prior Year</b>		<b>Difference Dec 2016 Forecast to Apr 2017 Forecast</b>	
2017	407.4	422.2	-18.7	-4.2%	14.8	3.6%
2018	401.0	408.5	-13.7	-3.2%	7.5	1.9%
2019	391.4	391.8	-16.7	-4.1%	0.4	0.1%

<b>Other Taxes (Includes MVET/ CVET Recapture)</b> (in millions)						
<b>Fiscal Year</b>	<b>Dec-16 Forecast</b>	<b>Apr-17 Forecast</b>	<b>Growth over Prior Year</b>		<b>Difference Dec 2016 Forecast to Apr 2017 Forecast</b>	
2017	924.4	925.1	-28.7	-3.0%	0.7	0.1%
2018	938.7	939.3	14.2	1.5%	0.6	0.1%
2019	931.0	931.9	-7.4	-0.8%	0.9	0.1%

<b>Total General Fund Taxes</b> (in millions)						
<b>Fiscal Year</b>	<b>Dec-16 Forecast</b>	<b>Apr-17 Forecast</b>	<b>Growth over Prior Year</b>		<b>Difference Dec 2016 Forecast to Apr 2017 Forecast</b>	
2017	15,043.5	15,167.3	347.8	2.3%	123.9	0.8%
2018	15,480.8	15,588.2	420.9	2.8%	107.4	0.7%
2019	16,087.0	16,180.8	592.6	3.8%	93.8	0.6%

# April 2017 Forecast Compared to Budget Plan

(In Millions of Dollars)

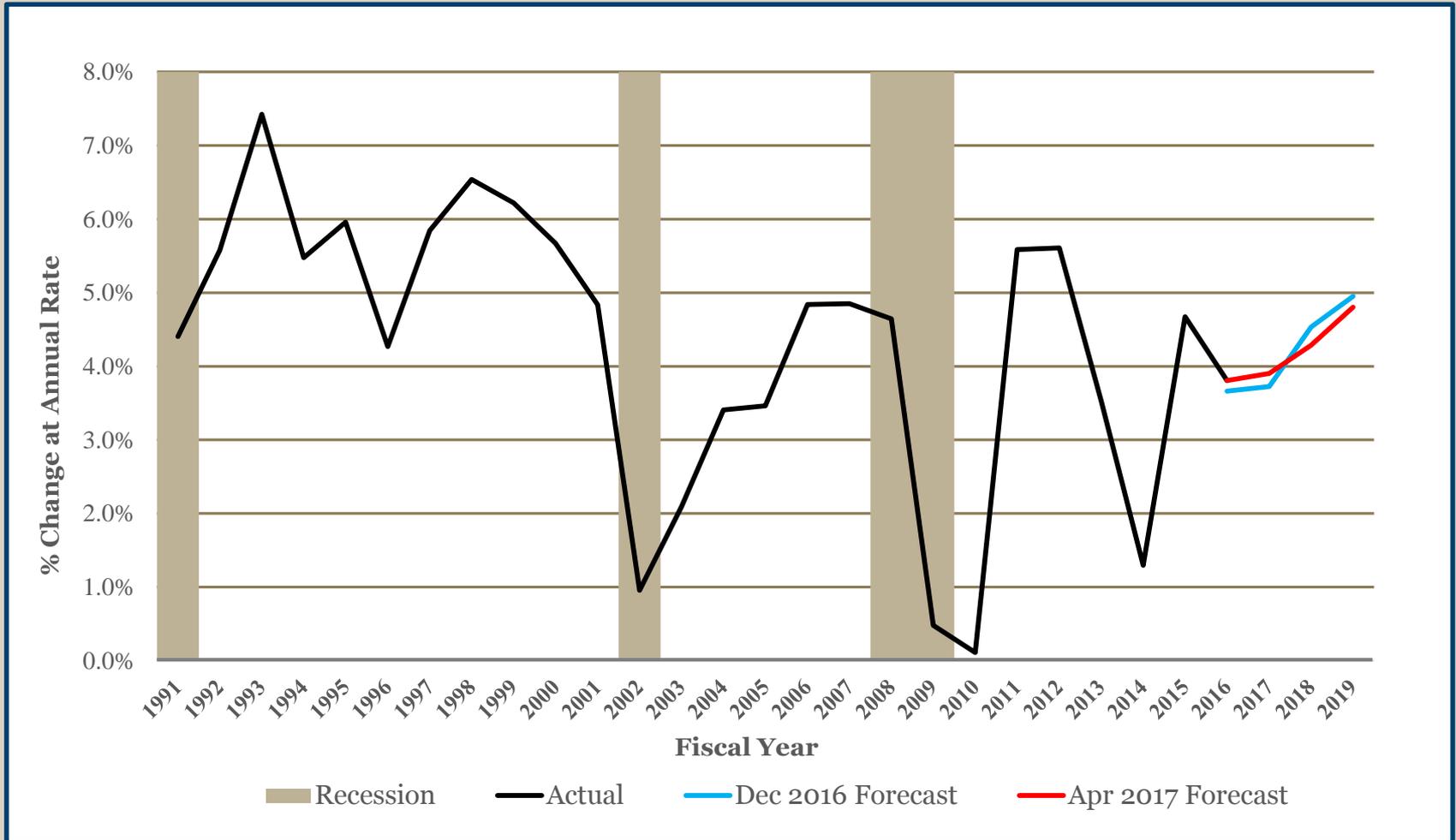
Fiscal Year	April 2015 Forecast	2015 Session Legislative Changes	Budget Plan Revenues	April 2017 Forecast	Difference (\$) Budget Plan to April 2017 Forecast	Difference (%) Budget Plan to April 2017 Forecast
2017	\$15,478.3	(\$56.6)	\$15,421.7	\$15,167.3	(\$254.4)	-1.65%

**Total General Fund Revenue Forecast**  
**Fiscal Years 2017, 2018 & 2019**  
**April 12, 2017**  
**(In Millions of Dollars)**

	Actual 2016	Dec. 2016 Forecast 2017	Updated Forecast 2017	Diff. From Prior Forecast	Dec. 2016 Forecast 2018	Updated Forecast 2018	Diff. From Prior Forecast	Dec. 2016 Forecast 2019	Updated Forecast 2019	Diff. From Prior Forecast
<b><u>Major Taxes</u></b>										
Sales & Use	7,222.6	7,400.2	7,432.7	32.4	7,618.0	7,630.2	12.1	7,889.7	7,885.8	-3.9
Individual Income	5,218.2	5,399.8	5,473.0	73.2	5,596.3	5,661.0	64.7	5,942.0	5,996.5	54.5
Corporate - AGI, URT, USUT, FIT	984.0	911.7	914.4	2.7	926.7	949.2	22.5	932.8	974.8	42.0
Riverboat Wagering	330.0	298.4	310.4	12.0	290.2	296.2	6.0	281.4	279.9	-1.5
Racino Wagering	<u>110.9</u>	<u>109.0</u>	<u>111.8</u>	<u>2.8</u>	<u>110.8</u>	<u>112.3</u>	<u>1.5</u>	<u>110.0</u>	<u>111.9</u>	<u>1.9</u>
<b>Subtotal Major Taxes</b>	<b>13,865.7</b>	<b>14,119.1</b>	<b>14,242.2</b>	<b>123.2</b>	<b>14,542.1</b>	<b>14,648.9</b>	<b>106.8</b>	<b>15,156.0</b>	<b>15,248.9</b>	<b>92.9</b>
<b><u>Other Revenue</u></b>										
Cigarette	255.2	244.2	245.4	1.2	238.4	239.3	0.9	234.6	235.8	1.2
Insurance	230.0	235.3	235.3	0.0	240.7	240.7	0.0	246.3	246.3	0.0
Inheritance	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Alcoholic Beverages	18.0	19.5	19.4	-0.1	20.1	20.1	0.0	20.7	20.8	0.1
Riverboat Admissions	11.2	10.6	10.2	-0.4	10.3	10.0	-0.3	10.3	9.9	-0.4
Interest	22.7	23.2	23.2	0.0	23.8	23.8	0.0	24.3	24.3	0.0
Motor & Commercial Vehicle Excise	247.7	236.4	236.4	0.0	238.6	238.6	0.0	239.3	239.3	0.0
Miscellaneous Revenue	<u>168.1</u>	<u>155.2</u>	<u>155.2</u>	<u>0.0</u>	<u>166.9</u>	<u>166.9</u>	<u>0.0</u>	<u>155.5</u>	<u>155.5</u>	<u>0.0</u>
<b>Subtotal Other Revenue</b>	<b>953.8</b>	<b>924.4</b>	<b>925.1</b>	<b>0.7</b>	<b>938.7</b>	<b>939.3</b>	<b>0.6</b>	<b>931.0</b>	<b>931.9</b>	<b>0.9</b>
<b>Total General Fund</b>	<b>14,819.5</b>	<b>15,043.5</b>	<b>15,167.3</b>	<b>123.9</b>	<b>15,480.8</b>	<b>15,588.2</b>	<b>107.4</b>	<b>16,087.0</b>	<b>16,180.8</b>	<b>93.8</b>

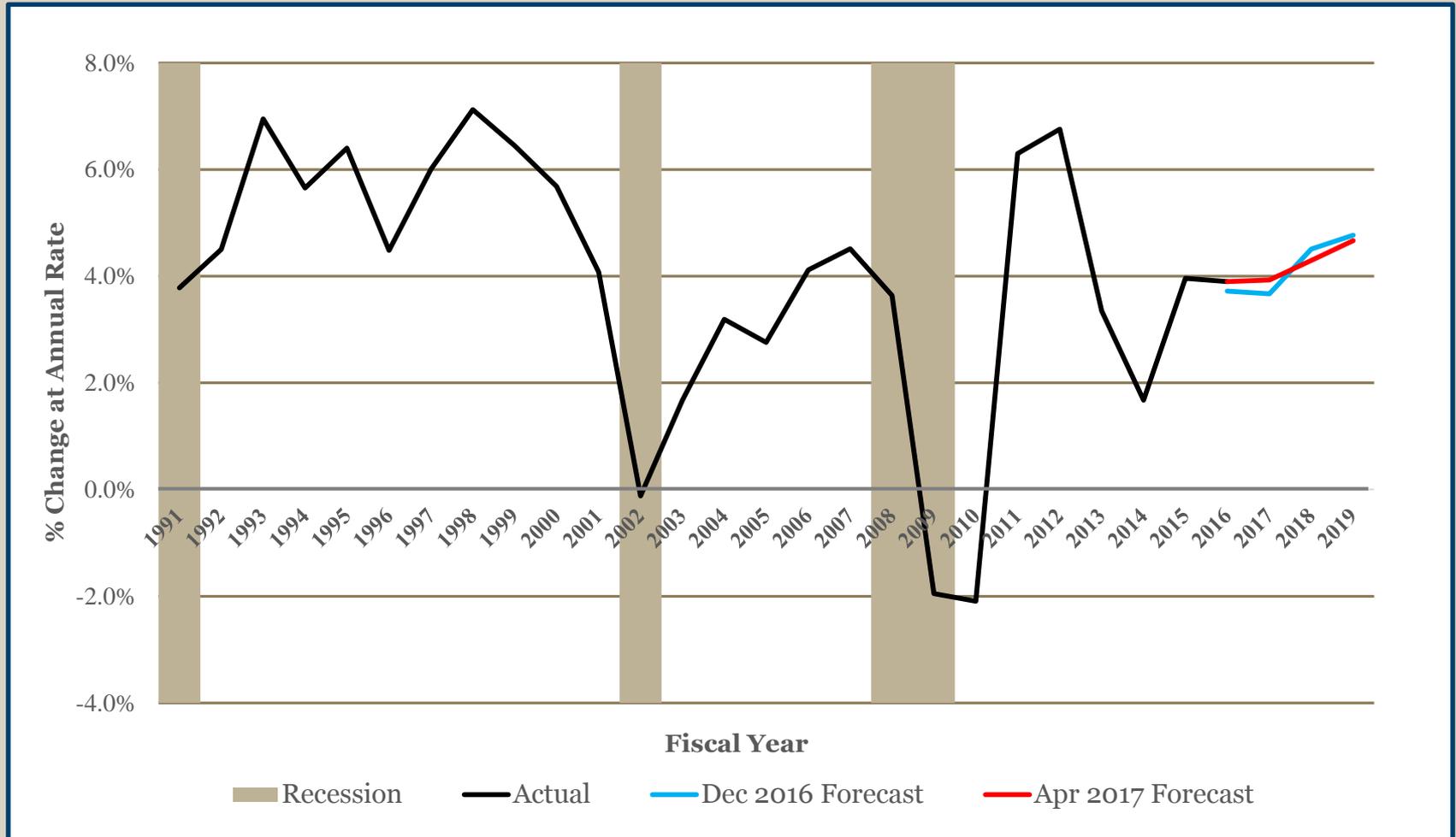
Appendices for  
April 2017 Revenue Forecast

# Indiana Personal Income (IPI)



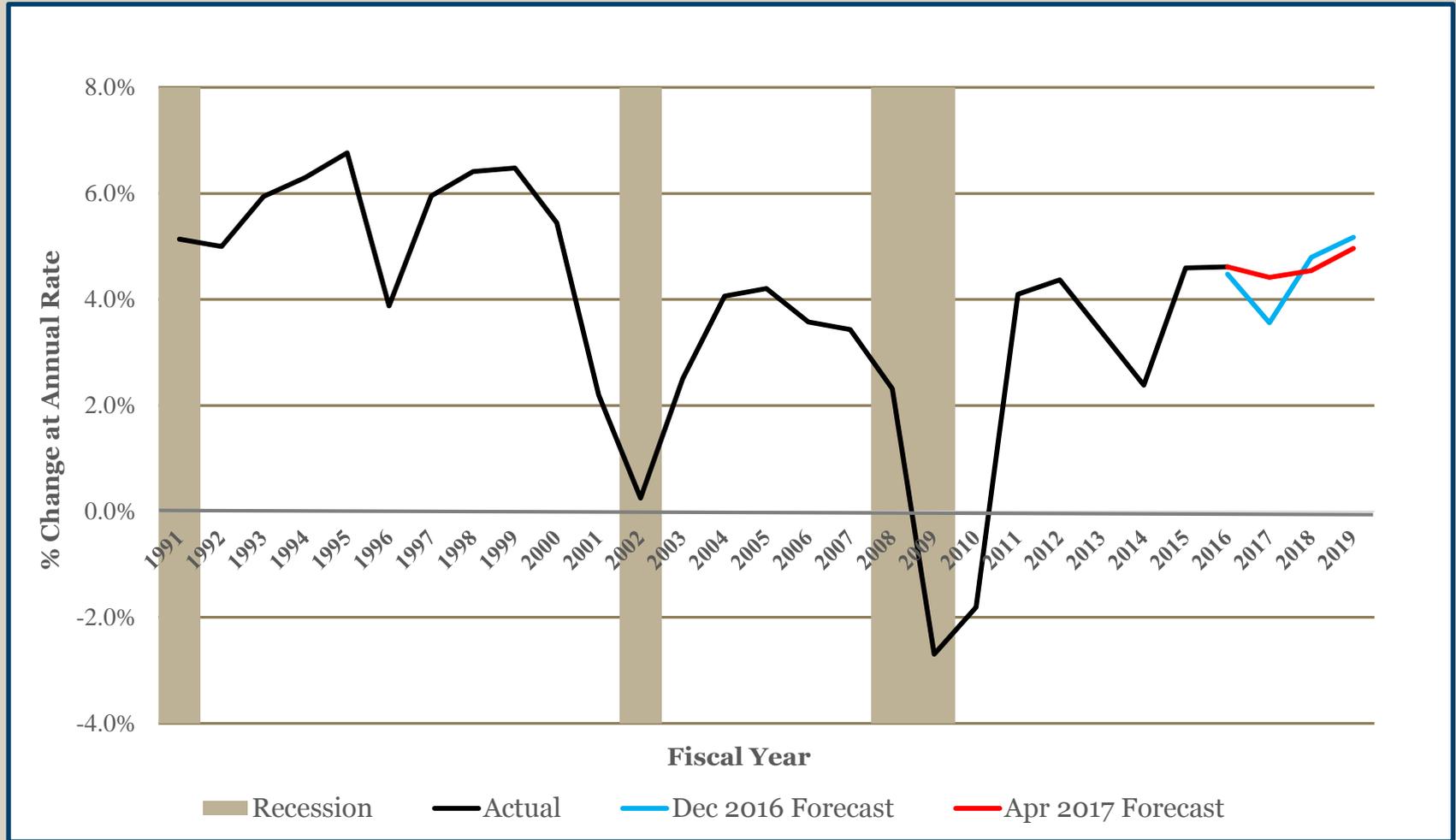
Data Source: IHS Markit

# Indiana Personal Income Net of Transfer Payments



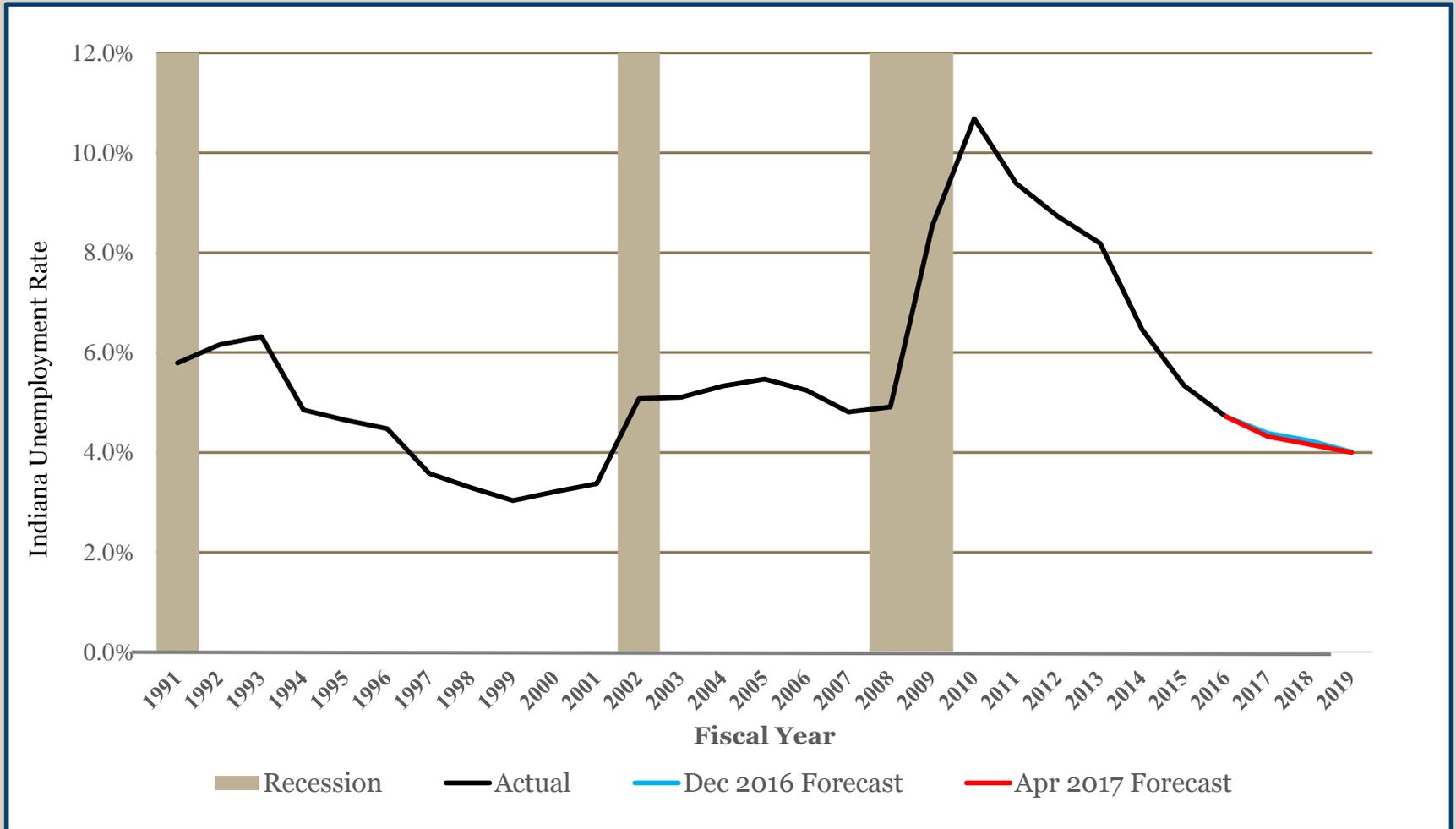
Data Source: IHS Markit

# Indiana Wages & Salary



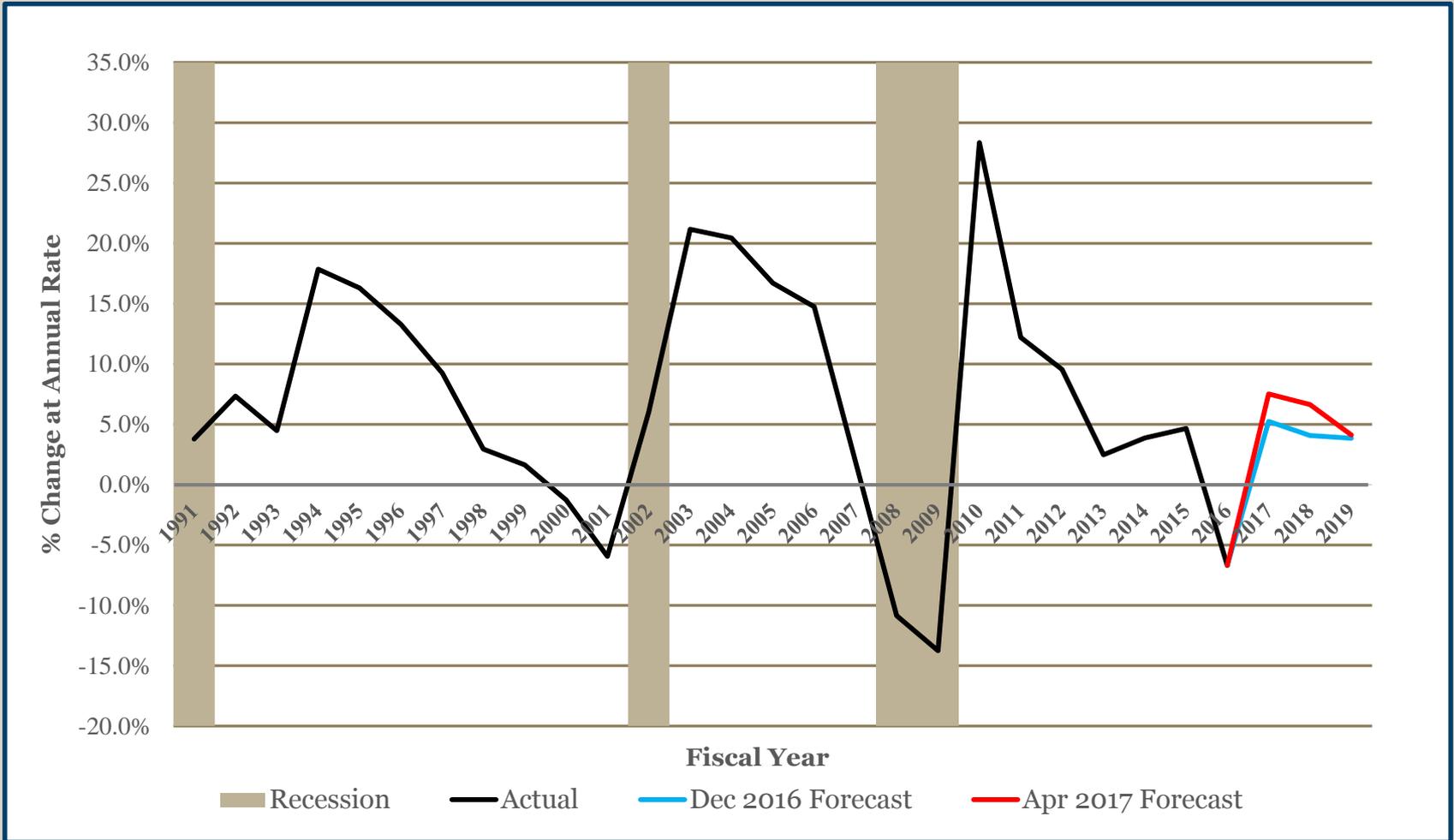
Data Source: IHS Markit

# Indiana Unemployment Rate



Data Source: IHS Markit

# U.S. Corporate Profits



Data Source: IHS Markit

# Economic Variables

## FY 2016, FY 2017, FY 2018 & FY 2019

Indicator	Estimate Year			Difference (%) Dec 2016 to Apr 2017	
		December 2016 Forecast*	April 2017 Forecast*		
<b>Nominal Indiana Personal Income (in millions)</b>	2016	282,506	282,905	actual	0.14%
	2017	293,030	293,947		0.31%
	2018	306,317	306,544		0.07%
	2019	321,482	321,262		-0.07%
<b>Nominal Indiana Personal Income Net of Transfer Payments (in millions)</b>	2016	227,143	227,534	actual	0.17%
	2017	235,484	236,470		0.42%
	2018	246,107	246,628		0.21%
	2019	257,842	258,139		0.12%
<b>Nominal Indiana Wages &amp; Salary (in millions)</b>	2016	141,275	141,463	actual	0.13%
	2017	146,309	147,712		0.96%
	2018	153,328	154,422		0.71%
	2019	161,261	162,090		0.51%
<b>Indiana Unemployment Rate</b>	2016	4.72%	4.72%	actual	0.00%
	2017	4.39%	4.32%		-1.52%
	2018	4.23%	4.16%		-1.70%
	2019	4.01%	4.00%		-0.21%
<b>U.S. Corporate Profits (in billions)</b>	2016	2,029	2,029	actual	0.00%
	2017	2,136	2,182		2.15%
	2018	2,223	2,327		4.68%
	2019	2,308	2,423		4.95%

\*Data Source: Bureau of Economic Analysis (BEA), Bureau of Labor Statistics (BLS), IHS Markit